

**REQUEST FOR PROPOSAL
TO CONDUCT A
COMPREHENSIVE REVIEW
OF THE MONTHLY PERFORMANCE REPORTS
AND THE ASSOCIATED INCENTIVE PLAN
PAYMENT REPORTS FILED BY
VERIZON NEW JERSEY**

DOCKET NO. TX02090665

**Division of Telecommunications
New Jersey Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102**

SECTION 1. GENERAL INFORMATION

1.1 Introduction. The New Jersey Board of Public Utilities (Board) issues this Request for Proposal to secure the services of a third party (Contractor) to conduct a comprehensive review of the reporting integrity of Verizon New Jersey Inc. (VNJ or Utility), as directed by the Board in its Orders in Docket Nos. TX98010010 and TX95120631 dated January 10, 2002 and March 28, 2002. This review is to be conducted on a “not to exceed cost basis” and according to the attached Schedule A.

1.2 Objective. The Board is seeking a telecommunications auditor to (a) develop a comprehensive audit plan that will be used to review the performance measurement processes, data, and data retention associated with pre-ordering, ordering, provisioning, maintenance and billing, and other support provided by VNJ to Competitive Local Exchange Carriers (CLECs), (b) to conduct a detailed audit of those processes and data based on the designed audit plan and (c) make recommendations, where necessary.

The auditor will develop the audit plan, and will assess whether VNJ’s Performance Measurement data generation, collection, analysis, retention and reporting procedures are sound and that data generation, collection, analysis, retention and reporting are timely, accurate and complete and adhere to documentation that faithfully reflects the content of the Carrier-to-Carrier (“C2C”) Guidelines, incorporated herein by reference, and the Incentive Plan, incorporated herein by reference. Both the C2C Guidelines and the Incentive Plan are located on the Board’s website at www.bpu.state.nj.us.

1.3 Scope. The audit plan must be sufficient to allow the CLECs, the Board and the Board’s staff (Staff), reviewing the audit results, to determine whether VNJ’s performance measurement processes and data produce results that provide the Board, accurate evidence to make a reasoned, informed and valid determination as to whether VNJ is providing nondiscriminatory access and interconnection to its network and that it provides nondiscriminatory support for total services resale, use of unbundled network elements and access to Operations Support Systems (OSS). At a minimum, the audit plan must address documentation validation, end-to-end transaction tracking, report generation, data retention, and data extraction according to the Proposed Audit Program Steps attached hereto as Schedule B. The purpose for providing Schedule B is to give potential auditors a framework for understanding the factors that must be addressed in the audit plan. Schedule B provides an outline of some program steps for auditing the performance measurement processes and data. While not intended to be a comprehensive list, it provides a general background as to the types of factors that must be considered in developing an audit plan.

In developing the plan, the auditor will need to consult with the Board, VNJ and CLECs providing local services in this state, and any other appropriate organizations. Once an auditing firm is selected, the Board and VNJ will make their staff available as needed to provide supplemental information and explanation. CLECs will be requested by the Board to also do so.

A detailed audit of the performance measurement processes and data based on the designed audit plan will be conducted. At a minimum, the review shall address the following:

1. Whether procedures for initially documenting and maintaining performance measurement documentation exist and conform to reasonable levels of quality and quality control.

2. Whether supporting documentation exists for performance measures, including calculations, exclusions, performance standards and disaggregation and whether such documentation faithfully reflects Board order(s) and meets reasonable standards for clarity and completeness.
3. Whether data calculations comply with the documentation, including any provisions for exempting particular data from calculations and whether adequate classification parameters (e.g. for disaggregation of results) are reflected.
4. Whether data collection (including appropriate sampling) is comprehensive, whether appropriate data ultimately is input to the performance measurement calculations, and whether data excluded from any result calculation is captured and stored with a designation of the reason for exclusion.
5. Whether detailed documentation exists for procedures to extract data from relevant data stores for VNJ or CLECs, whether operational procedures adhere to the documentation, and whether change control procedures are reasonable and fully implemented.
6. Whether the performance measurement process starts with complete and accurate data.
7. Whether sufficient documentation exists, describing the data storage, back-up, retrieval, CLEC access and proprietary information protection procedures for both detailed data and the results produced for performance measurement reporting, and whether operational procedures conform to such documentation.
8. Whether stored and reported performance measurement results are an accurate reflection of the documented methodologies.
9. Whether the Board ordered methodology comparing CLEC monthly results for individual CLEC or CLECs in aggregate, is complete, accurately reflects Board order(s), and is correctly applied by VNJ in drawing conclusions regarding conformance of the performance to designated performance standards.
10. Whether the contents of results match the specified report details represented in VNJ's Carrier-to-Carrier (C2C) reports.
11. Whether those measures VNJ may deem to be "parity by design" are in fact "parity by design." Parity indicates non-discrimination measured by providing the same service as retail analogs, where they exist, or compliance with a benchmark standard where no retail analog is available.

The major support categories addressed in this review are as follows:

- Pre-Ordering
- Ordering
- Provisioning
- Maintenance & Repair
- Billing
- Network Performance
- E911
- Collocation
- Operator Services and Directory Assistance
- Poles, Ducts, Conduit and Rights of Way
- Bona Fide Requests

In addition, the audit plan will verify the following during the actual review:

- Existence of procedural documentation specifying performance measurement definitions, calculations, performance standards, exclusions, disaggregation, data sources, data acquisition and data retention procedures;
- Compliance with Board order(s) and completeness of the implementation of data collection, calculation, and retention with the documentation relied upon by VNJ;
- Implementation of ordered statistical methodology for determining compliance of VNJ with performance requirements;
- Accuracy, timeliness and completeness of reported results, including data retention and protection and raw data access afforded CLECs

The review will be conducted for the performance reporting VNJ provides for itself, its affiliates, as well as for individual CLECs and the CLEC industry in aggregate. It is also intended that the review will lead to recommendations for improved reporting.

1.4 Schedule. The auditor shall adhere to Schedule A attached hereto and any such revisions to the schedule as the Board or its project manager may hereafter order or permit.

1.5 Definitions and Responsibilities of Parties. The definitions and general responsibilities of the Board, VNJ and Contractor are as follows:

1.5.1 Board. The Board is the client for whom the review is to be performed and is the sole point of contact for this RFP. The Board will choose the Contractor. The Board with assistance from Staff, will: (1) evaluate submitted proposals; (2) select the Contractor; (3) authorize the execution of a written agreement between the Utility and the Contractor; (4) supervise the performance of the review; (5) review the Contractor's expenses and authorize payment by the Utility; (6) evaluate the results of the review; and (7) order the Utility, if necessary, to adopt new or altered practices and procedures.

1.5.2 Utility. The Utility is the subject of the review and will be the signatory to the contract. The Utility: (1) shall be responsible for all costs related to this review which are approved by the Board for payment; (2) shall cooperate with the Contractor and Staff; (3) shall provide timely and complete responses to all document and interview requests; (4) shall provide adequate working space and reasonably necessary office equipment for the Contractor and Staff; and (5) shall have the right to rebut the findings and/or recommendations of the review along with identifying any factual discrepancies in the Contractor's reports.

1.5.3 Responsibilities of the CLECs and Resellers. The CLECs and Resellers: (1) shall cooperate with the Contractor and Staff; (2) shall provide timely and complete responses to all document and interview requests; and (3) shall have the right to rebut the findings and/or recommendations of the review along with identifying any factual discrepancies in the Contractor's reports.

1.5.4 Contractor. The Contractor, along with its personnel and subcontractors is the selected consulting firm. The Contractor: (1) shall perform the review under the supervision of the Board's staff; (2) shall ensure whether any subcontractors comply with the terms and conditions of the RFP and the agreement between Contractor and Utility; (3) shall report, as required, to Staff; (4) shall submit expenses to Staff for the authorization of payment; (4) shall submit results of the review to Staff; and (5) shall

provide testimony, as may be required, regarding the results of the review.

1.6 Selection Process. Staff will evaluate all submitted proposals and provide the Board with its recommendations. The Board will make the final selection as to the winning bidder. When comparing proposals and making recommendations to the Board, Staff's evaluation shall include, but not be limited to, the following factors: (1) quality and appropriateness of the work plans; (2) experience and qualifications of the firm and its personnel; (3) recognition of the concerns of the Board and Staff; (4) consideration of the demonstrated quality of work performed previously; (5) acceptance of the draft contract and (6) cost of the Contractor's proposal. It is anticipated at this time that these criteria will be weighted equally. The Director of the Division of Telecommunications shall submit to the Board a memorandum summarizing Staff's selection and rationale. After reviewing the submissions and Staff's recommendations, the Board will select the winning bidder. The Board reserves the right to modify the above criteria and/or weighting as it may deem appropriate. The proposal review team will discuss the appropriate weighting of the above criteria. Following consultation with each individual Commissioner, the team will present the appropriate weights for each criteria at the RFP bidders conference.

1.7 Confidentiality. It is anticipated that after the Board has selected the winning bidder, all proposals filed by Contractors will be available for public inspection unless otherwise determined.

- A. All documents and records, regardless of form, prepared by the Contractor in fulfillment of the RFP shall be transmitted to the Board and shall become the property of the Board. A Contractor may request confidential treatment be accorded to items which are proprietary, sensitive or potentially adverse to the conduct of its business, provided that said restrictions shall not unduly impede the performance of the review. Any such claim must be in accordance with N.J.A.C. 14:1-12, et seq. a copy of which is available on the Board's website at www.bpu.state.nj.us.
- B. Working papers prepared by Contractor including, but not limited to, notes and communications between Contractor and Staff shall, to the extent retained by Contractor after completing the review, be maintained as the property of Contractor to be released or disclosed to a third party only upon order of the Board, the Board's custodian of records, the Government Records Council, or by an appropriate court of law. The Contractor shall agree to immediately inform the Board should it be served with a subpoena or demand for production of documents relating to the review.

1.8 Rejection of Proposals. The Board reserves the right to reject any or all submitted proposals not in conformance with this RFP, or for other cause.

1.9 Proposal. Bidders must submit complete response to this RFP using the format provided in Section 2.1. It should be addressed to: Anthony Centrella, Director of Telecommunications, Two Gateway Center, Newark, NJ 07102. Also, an RFP Review Conference will be held at the Board's Newark office on October 16, 2002 to respond to any bidder questions about the RFP and to further explain the purposes of this engagement. There must be one original, signed by an official authorized to bind the consulting firm to the proposal's provisions, and 10 copies. The proposal must remain valid for the length of the review. Once all accepted proposals are reviewed, the Board's staff may require interviews with the remaining

Contractors to discuss the contents of the proposals. The RFP and the proposal shall be considered by the parties as contractual obligations for the selected Contractor, unless modified in writing by mutual consent.

1.10 Incurred Costs. Neither the Board, the Staff, and VNJ shall be liable for any costs incurred by the Contractor prior to the Board's authorization to execute a written agreement between by VNJ and the Contractor.

1.11 Compensation. Payment of any contractual costs incurred subsequent to the signing and authorization of a written agreement will be made monthly upon receipt of the Contractor's invoice as set forth in Section 3.4. Payment of monthly invoices will be 100% of the undisputed amount of expenses and 80% of the undisputed amount of professional and support staff fees. The remaining 20% will be paid when the final report is filed with the Board and all contractual obligations have been met. Disputed amounts shall be subject to resolution by the Board.

SECTION 2. PROPOSAL CRITERIA

2.1 Format. Review and evaluation of the proposal will be based on the following format:

2.1.1 Summary. A discussion reflecting of the consulting firm's understanding of the proposed review.

2.1.2 Work Plan. A discussion setting forth the consulting firm's work plan, as follows:

- A. approach, with emphasis on the techniques for collecting and analyzing data;
- B. products to be delivered and time estimates for each task, including a Gant chart;
- C. sequence and relationship of all areas to the experience of the personnel in each category; and
- D. methods of managing the review.

2.1.3 Experience. A resume of the bidder indicating previous experience relating to this project, with full identification of all references and descriptions of assignments completed and their relevance to this project.

2.1.4 Personnel. Resumes of all Contractor's personnel to be involved in the review, including previous experience, clients served, and respective dates of experience. The resumes should reflect only previous work assignments for each person as it relates to the area of his/her assignments. Any substitution of personnel must be approved by the Board's Director of Telecommunications after a review of the bidder's written justification; including detailed resumes of the substitute personnel.

2.1.5 Relationship with Utility. A statement indicating any prior, existing or prospective relationship, financial or otherwise, between the Contractor, its personnel, and/or subcontractors, and the Utility.

2.1.6 Costs. List separately the not- to-exceed bid for services, itemized as follows:

- A. professional and support staff fees of all personnel, consisting of the projected hours and rate per hour for each category;

- B. supplies and materials;
- C. all travel expenses, including transportation, meals, lodging, etc;
- D. any other direct costs; and
- E. costs incurred after completion of the review (i.e., if necessary for the presentation of findings, cross examinations, hearings and all other procedural matters) will be in addition to the cost of the review, and are to be negotiated between Staff and the Contractor.

Costs for the performance of work determined to be outside the initial scope of the RFP by the Board or Staff will be only incurred with specific written authorization by Staff. The hours worked shall be billed at the average professional rate per hour based upon all professional rate categories set forth in Section 2.1.6. If Staff determines additional hours to be necessary, said hours shall be considered to be a modification to the written agreement and shall be mutually agreed upon in writing by Staff, and the Contractor unless otherwise ordered by the Board.

2.2 Other Information. Any other information, which may assist in the review of the submitted proposal, such as brochures, literature or samples of recent audits, may be submitted with, but shall not be considered part of, the proposal.

SECTION 3. REVIEW PROCEDURE

3.1 Safety Standards. When on the Utility's premises, the Contractor must comply with all regulatory standards and Utility policies dealing with safety, insurance and work specifications.

3.2 Project Control. The review will be performed in accordance with the written agreement. There will be no direct reporting by the Contractor to the Utility. All written and oral communications will be through the Staff. The Contractor may be requested to discuss the reviews progress with the Board's staff, as necessary. The Contractor shall agree to permit the Board to have access, during regular business hours, to the Contractor's premises and to all supporting records associated with the review.

3.3 Monthly Progress Reports. The Contractor shall submit a monthly written report, by the fifth business day following the month's end, for any month in which work was performed. The report shall consist of a general narrative providing adequate information regarding the status of the review, including a Gant chart showing the actual vs. projected time schedule with milestone dates and a Gant chart indicating budgeted vs. actual expenditures to date.

3.4 Invoices. An invoice for payment may be submitted at any time following the month's end, for any month in which work was performed or expenses were incurred. All invoice amounts shall be supported by appropriate documentation by the Contractor and may be subject to an audit by the Board and/or the Utility for a period of two years after the completion of the audit. The invoice should be itemized as in Section 2.1.6 and shown in relation to the contractual cost.

3.5 Development of Final Report. The results of the audit shall be filed with the Board in a final report. The report will evolve in two stages:

3.5.1 Draft Report. A draft of the final report shall be submitted to Staff and shall include a summary of the review process and a summary of all findings and recommendations. After

appropriate review and authorization by Staff, the Contractor will release the draft report to VNJ and the CLECs and resellers who execute a proprietary agreement for comment on findings and recommendations, limited to identification of factual discrepancies. Upon the resolution of any factual discrepancies, Staff will authorize the preparation of the final report. Parties will be permitted to comment on the Contractor's findings and recommendations after the factual discrepancies have been resolved. These comments will be a separate correspondence and not made part of the Contractor's final report.

3.5.2 Final Report. The Contractor shall provide a minimum of 20 bound copies of the final report to be filed with the Board, one master copy suitable for photocopying, or as Staff may deem appropriate, and an electronic version. The Board may authorize the printing of a number of redacted reports to protect proprietary information in accordance with Section 1.7, if necessary. Upon receipt of the Contractor's final report, the matter will be placed on an appropriate Board agenda.

EXHIBIT I

SCHEDULE A

ESTIMATED SCHEDULE

1. Send RFP to prospective consulting firms	10/04/02
2. Receive letters of intent from prospective consulting firms	10/14/02
3. RFP review conference	10/16/02
4. Receive proposals from prospective consulting firms	11/06/02
5. Board selects consultants	12/18/02
6. Signing of contract	12/19/02
7. Review begins	12/19/02
8. Consultant submits Draft Report to Staff for review	03/07/03
9. Consultant submits Draft Report to VNJ, CLECs, RPA and Resellers for review	03/14/03
10. VNJ, CLEC and Reseller Comments due	04/04/03
11. Consultant submits Final Report	04/18/03
12. Anticipated Board Action	05/28/03

EXHIBIT II

SCHEDULE B – PROPOSED AUDIT PROGRAM STEPS

The following highlights some key steps that may be taken to effectively address the audit request:

Step 1 General CLEC/Incumbent Orientation

Participate in review session covering the following:

- ⇒ History
- ⇒ Impacted parties.
- ⇒ Audit goal and purpose
- ⇒ Critical timeframes
- ⇒ Key contacts
- ⇒ Available resources (e.g. office space, computer access....)

Step 2 General Understanding of the Processes

Obtain and Review the following documentation:

- ⇒ VNJ's C2C Guidelines including all Performance measurement Methods and Procedures relied upon by VNJ (M&P's) and Supporting documentation for the measures prepared by VNJ
- ⇒ Metrics Business Rules
- ⇒ Any CLEC User's Guide
- ⇒ Local Competition User's Group Statistical Tests for Local Service Parity Version 1.0
- ⇒ System documentation such as flowcharts, narratives, etc. for Pre-ordering, Ordering, Provisioning, Billing, Maintenance, Collocation, OS/DA employed by VNJ
- ⇒ Any and all reports used to monitor the overall process
- ⇒ Data Extraction Methods & Procedures
- ⇒ Data Retention Methods & Procedures

Formulas overview including the following:

- ⇒ Define the formulas that are being used for all performance result calculations
- ⇒ Define the separate components (e.g. data elements) that make up each formula including their sources
- ⇒ Identify any and all exclusions and reasons for which they are to be considered exclusions, the basis for the exclusion, and the decision rule(s) for determining that a particular exclusion is applicable.
- ⇒ Describe start and end points for calculation

Step 3 General Understanding of OSS

System Information

- ⇒ Obtain and Review system flowcharts and narratives

Network Architecture

- ⇒ Interfaces to VNJ systems
- ⇒ Overall architecture design

Change Management

- ⇒ Obtain and review change management policies and procedures (if company information is differentiated)
- ⇒ Obtain and review the latest relevant changes made to the system

Database Description

Step 4 End-To-End Transaction Tracking

Select Orders For Tracking

Obtain & Review The Following:

- ⇒ M&P's for ordering, preordering, provisioning, billing and maintenance
- ⇒ Review orders' progression through all applicable service areas up to the point of inclusion is data warehouse which represents the data source for performance measurement processes. This would include the tracking of actual CLEC issued PONs and Repair tickets.
- ⇒ Document results of tracking
- ⇒ Verify that the represented work was completed at the time it was purported to be completed

Step 5 Report Generation

Obtain & Review the following:

- ⇒ Report generation M&P's
- ⇒ An incumbent SQM
- ⇒ Raw data associated with a specific report
- ⇒ Sampling methodologies

Recreate A Designated Performance Measurement Reports

- ⇒ Manually prepare report using acquired raw data
- ⇒ Compare prepared report to VNJ version of report
- ⇒ Review and document results of testing

Step 6 Data Retention

Data Retention

- ⇒ Determine standards regarding record retention (i.e. which data elements are to be retained)

- ⇒ Determine sample type and size to be retained (i.e. statistical, random, judgmental, ...etc.)
- ⇒ Review and document results of testing

Data Retention Policies and Procedures

- ⇒ Obtain and review record retention policies and procedures
- ⇒ On a sample basis test retention policies and procedures
- ⇒ Document results of retention policies and procedures testing

Other

- ⇒ Confirm data is stored in sufficient detail to permit subsequent independent review and analysis
- ⇒ Assess CLECs' ability to access detail in a timely and accurate manner (including security protections for individual CLEC data)

Step 7 Data Extraction

Data Extraction

- ⇒ Determine standards regarding record extraction (i.e. which data elements are to be extracted)
- ⇒ Determine sample type and size to be extracted
- ⇒ Review and document results of testing

Record Extraction Policies and Procedures

- ⇒ Obtain and review record extraction policies and procedures
- ⇒ On a sample basis test extraction policies and procedures
- ⇒ Document results of extraction policies and procedures testing

Step 8 Document findings and Issue Final Report

Issue Final Report and Findings

- ⇒ Document any open issues
- ⇒ Document adequacy of documentation, etc. (each of the eleven objectives of this audit should be addressed, including recommended corrective actions)
- ⇒ Document any potential claims (variance between documentation and practice) and gather documentation to support claim
- ⇒ Integrate report and finding into overall audit report, including any exception of VNJ, any CLEC or the Board
- ⇒ Issue recommendations, as necessary

INDEMNITY & INSURANCE REQUIREMENTS

[To be provided by VNJ]

